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SUBJECT: UPDATE ON U.S.-EGYPT STRATEGIC ECONOMIC DIALOGUE

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11. (SBU) Key points:

-The U.S.-Egypt Strategic Economic Dialogue was launched in 2009, and the USG will have to overcome weak GOE inter-ministerial cooperation to move forward on the dialogue's goals in 2010.

-The key U.S. objectives in its economic relationship with Egypt are deepening bilateral trade and investment, helping Egypt to improve its domestic and international commerce, increasing U.S. exports to Egypt, supporting the Qualifying Industrial Zones (QIZ) program, and helping Egypt to improve its IPR climate and reduce non-tariff trade barriers, particularly in agricultural products.

-The U.S. interagency strategy to meet its objectives includes gathering key GOE stakeholders, offering technical assistance where appropriate, and leveraging visits by high-level USG officials and by working-level officials from the US and the region to move the process forward.

Overview of Strategic Economic Partnership

12. (SBU) The dialogue with the GOE is built upon the Plan for a Strategic Economic Partnership on Trade-Related and Investment Issues signed by United States Trade Representative (USTR) Ron Kirk and Egypt's Minister of Trade and Industry (MOTI) Rachid M. Rachid in Washington in May 2009. In November 2009, U.S. and Egyptian private companies agreed upon the creation of a Business Leaders' Forum endorsed by Min. Rachid and Commerce Secretary Locke, and Min. Rachid and USTR Kirk finalized a work plan for a Joint Forum on Trade and Investment.

13. (SBU) Since finalizing the work plan, progress has been slow, largely because of the weak inter-ministerial cooperation on the part of the GOE. For this reason, the USG will have to take the lead in moving forward to advance our key objectives in our bilateral economic relationship with Egypt, which are as follows:

Deepening the Bilateral Trade and Investment Relationship

14. (SBU) In our engagement with Egypt in a strategic economic dialogue, we seek to deepen bilateral trade and investment. Amidst the economic crisis in 2009, U.S.-Egypt bilateral trade fell to \$7.3 billion, a decrease from \$8.4 billion in 2008. There have, however, been a few strategic commercial successes, including the recent \$650 million Boeing contract for the purchase of eight 737 aircraft and the \$50 million Hill International contract to manage

the construction of the new Egyptian Grand Museum.

¶5. (SBU) We seek to expand our exports to Egypt, and to work with Egypt where appropriate to help it achieve its own ambitious goals of doubling exports and improving domestic commerce in the coming years. We also hope to achieve expanded trade in services, including promoting the development of Egypt's logistics and distribution, while liberalizing trade in U.S. services, including franchising. We are also looking to improve labor and environmental standards in Egypt.

Improving IPR

¶6. (SBU) Building on recent successes in improving the intellectual property rights (IPR) climate in Egypt, it is important that we identify and address remaining areas of concern. Egypt remains on the Special 301 Watch List as much remains to be done to improve copyright protection for US music, film and books in Egypt. Copyright is an area of mutual interest as Egypt - historically a center of culture in the Middle East -- has experienced economic losses due to IPR infringement. We should focus on building on this mutual interest, and be sure to acknowledge the fact that the GOE has been working with IPR stakeholders in copyright and publishing, and we should encourage the GOE to do more.

¶7. (SBU) We will continue to work with Egypt on PTO and USAID training and capacity-building programs. These include economic court judges training, assistance in finalizing a new Border Measures Law, and best practices workshops and visits with enforcement officials to improve Egypt's border measures against counterfeit goods, its patent and trademark implementation, its pharmaceutical registry, and its enforcement of laws against pirated books, music, and film.

Increasing Agricultural Trade

¶8. (SBU) Another major goal is increasing U.S. agricultural exports, by seeking Egypt's cooperation in liberalizing imports of beef products, seed potatoes and poultry parts. The US is also seeking Egypt's cooperation in ending 100% inspection and testing of agricultural containerized shipments. Finally, the US is encouraging Egypt to pass a new bio-safety law that takes a science-based approach to agricultural bio-technology.

QIZ

¶9. (SBU) During AUSTRIA Gail Strickler's December 2009 visit to Cairo, she energized both MOTI and the private sector when she reiterated our commitment to the QIZ program and raised the possibility of including additional areas and factories. Post would like to aggressively move beyond the current impasse over fairly modest technical issues (ref. A) to embrace the original goals of the QIZ program: Strengthening the Egyptian-Israeli political relationship through closer economic ties and promoting stability within Egypt through the creation of jobs and economic opportunity. To this end, we would like to explore ways to quickly work with the GOE to improve this valuable preference program, while ensuring that proper oversight of the program continues.

¶10. (SBU) With an interagency process led by USTR and including USAID and the Departments of State, Commerce, and Agriculture, we will work with MOTI to help overcome the GOE's weak inter-ministerial cooperation by bring key GOE stakeholders together to move forward on our main objectives. Where necessary, we will also offer technical assistance to Egypt through existing USAID, Patent and Trademark Office (PTO) and other USG programs to support specific goals.

¶11. (SBU) We understand that USTR Kirk is planning a visit to Cairo in March for meetings. We recommend that USTR Kirk use the visit to advance the goals outlined above in high-level meetings with the GOE. Following his trip, we suggest that USTR build on the momentum gained in our economic dialogue to send working-level experts and tap into existing USG in-country officials to make progress on our key objectives with inter-ministerial GOE decision-makers.

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